

BUTTE-MEADE SANITARY WATER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 2016 AND 2015

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LEGISLATIVE AUDIT



DAVIDPUMMEL & ASSOCIATES^{LLP} • Certified Public Accountants / Business & Personal Advisors

BUTTE-MEADE SANITARY WATER DISTRICT
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Butte-Meade Sanitary Water District
Newell, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Butte-Meade Sanitary Water District (the District) as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Butte-Meade Sanitary Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Butte-Meade Sanitary Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Butte-Meade Sanitary Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butte-Meade Sanitary Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Butte Meade Sanitary Water District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONCLUDED)

As required by South Dakota Codified Law 4-11-11, this report is a matter
of public record and its distribution is not limited.

David Pummel & Associates, LLP

June 26, 2017



BUTTE MEADE SANITARY WATER DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

FINDING 2016-1

SEGREGATION OF DUTIES

CRITERIA

An adequate segregation of duties strengthens the effectiveness of the internal control process.

CONDITION FOUND

There is a lack of segregation of duties over receipts and disbursements within the District.

CAUSE

The size of the district staff does not provide for an optimum segregation of duties.

EFFECT

Two employees perform most procedures of the receipting process and another employee performs most procedures of the disbursement process.

RECOMMENDATION

The board of directors and manager should continue to perform all practical oversight and review functions.

MANAGEMENT'S RESPONSE

Management and the board of directors will continue to perform oversight and review functions and will implement additional oversight and review procedures where practical.





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Butte-Meade Sanitary Water District
Newell, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Butte-Meade Sanitary Water District (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Butte-Meade Sanitary Water District, as of December 31, 2016 and 2015, and the respective changes in financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 8 and 9, and the Schedule of Net Pension Liability/Asset and Pension Contributions on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butte-Meade Sanitary Water District's basic financial statements. The supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the Butte-Meade Sanitary Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Butte-Meade Sanitary Water District's internal control over financial reporting and compliance.

David Pummel & Associates, LLP

June 26, 2017



BUTTE-MEADE SANITARY WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS

Butte Meade Sanitary Water District's (the District) net position increased by \$116,861 from 2015 to 2016 and \$80,748 from 2014 to 2015. The increase from 2015 to 2016 and 2014 to 2015 was mostly due to increased water sales.

Water sales and other sales are directly linked to customer demand. 2016 water sales and other sales increased \$87,005 from 2015 due to increased demand. The increase from 2014 to 2015 was also due to increased demand. Other sales reflect both new construction and repair and maintenance done by District customers. Customers buy material at cost, plus sales tax, through the District. Customer payments constitute other sales.

The District is still replacing customer meters to the new remote read system. At year end 2015 approximately 85% had been replaced. At year end 2016 approximately 95% had been replaced.

In 2016, total operating expenses increased \$38,178 from 2015, due to higher wages and utilities. Also an additional \$16,787 was added to employee benefits for required GASB Statement No. 68 pension plan liability disclosures. In 2015 total operating expenses decreased \$67,429 from 2014 due to less wages and repairs.

The District retired \$68,278 and \$65,626 in existing debt during 2016 and 2015, respectively. There were no additional borrowings in 2016 or 2015.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of the management discussion and analysis, the basic financial statements, and supplementary information. All District activities are conducted within one enterprise fund.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

There were no significant changes in operations for the District from 2016 to 2015 or 2014. The District will continue to replace manual water meters with remote read meters during 2017.

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* in 2015.



BUTTE-MEADE SANITARY WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016 AND 2015

ECONOMIC FACTORS AND NEXT YEAR'S RATES (CONTINUED)

Traditionally all loan obligations are met, and any excess transferred to the operation and maintenance account to fund larger projects, maintenance, or repairs that would exceed normal budgeted amounts.

FINANCIAL ANALYSIS OF THE DISTRICT

The District's statements of net position and activities changed as follows:

	2016	2015	2014
Current assets	\$ 508,337	\$ 485,715	\$ 350,074
Restricted cash and funded reserves	174,874	163,353	192,004
Property and equipment	2,478,961	2,449,960	2,536,653
Other assets	--	59,839	--
Deferred outflows of resources	100,425	103,613	--
Total assets and deferred outflows of resources	<u>\$ 3,262,597</u>	<u>\$ 3,262,480</u>	<u>\$ 3,078,731</u>
Current liabilities	\$ 93,761	\$ 95,136	\$ 81,666
Other liabilities	120,774	76,311	74,211
Long-term debt	1,199,543	1,271,082	1,339,679
Total liabilities	<u>1,414,078</u>	<u>1,442,529</u>	<u>1,495,556</u>
Deferred inflows of resources	--	88,293	--
Net position -			
Net investment in capital assets	1,207,936	1,110,656	1,131,724
Restricted	152,257	161,625	116,219
Unrestricted	488,326	459,377	335,232
Total net position	<u>\$ 1,848,519</u>	<u>\$ 1,731,658</u>	<u>\$ 1,583,175</u>
Water and other operating revenue	\$ 882,948	\$ 795,943	\$ 759,390
Operating expense	(694,609)	(656,431)	(723,860)
Non-operating income and expense	(71,478)	(58,764)	(69,257)
Increase (decrease) in net position	116,861	80,748	(33,727)
Net position - beginning of year	1,731,658	1,583,175	1,616,902
Prior period adjustments (GASB 68)	--	67,735	--
Net position - end of year	<u>\$ 1,848,519</u>	<u>\$ 1,731,658</u>	<u>\$ 1,583,175</u>

CONTACTING DISTRICT MANAGEMENT

This financial report is designed to provide the members, customers, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Butte-Meade Sanitary Water District, PO Box 5, Newell, SD 57760.



BUTTE-MEADE SANITARY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 97,148	\$ 112,592
Savings	247,891	223,648
Accounts receivable - billed	69,733	49,860
Accounts receivable - unbilled	7,559	11,838
Inventory	67,074	68,928
Prepaid expenses	<u>18,932</u>	<u>18,849</u>
TOTAL CURRENT ASSETS	<u>508,337</u>	<u>485,715</u>
RESTRICTED CASH AND FUNDED RESERVES		
Rural Development reserve - cash	37,407	30,215
Rural Development reserve - certificate of deposit	56,477	56,251
Meter deposits held for members - cash	17,290	13,283
Meter deposits held for members - certificate of deposit	<u>63,700</u>	<u>63,604</u>
	<u>174,874</u>	<u>163,353</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	24,079	24,711
Buildings and structures	108,359	100,833
Equipment - miscellaneous	35,298	35,298
Collection & distribution system	5,438,283	5,322,750
Land	14,087	14,087
Vehicles	<u>53,360</u>	<u>53,360</u>
	5,673,466	5,551,039
Less accumulated depreciation	<u>(3,194,505)</u>	<u>(3,101,079)</u>
	<u>2,478,961</u>	<u>2,449,960</u>
OTHER ASSETS		
Net pension asset	<u>--</u>	<u>59,839</u>
	<u>--</u>	<u>59,839</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	<u>100,425</u>	<u>103,613</u>
	<u>100,425</u>	<u>103,613</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,262,597</u>	<u>\$ 3,262,480</u>

See accompanying notes.



LIABILITIES AND NET POSITION

	2016	2015
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 71,482	\$ 68,221
Accounts payable	21,453	26,041
Accrued interest payable	826	874
TOTAL CURRENT LIABILITIES	<u>93,761</u>	<u>95,136</u>
OTHER LIABILITIES		
Meter deposits	78,721	76,311
Net pension liability	42,053	--
	<u>120,774</u>	<u>76,311</u>
LONG-TERM DEBT, NET CURRENT MATURITIES		
Mortgages and notes payable	1,199,543	1,271,082
	<u>1,199,543</u>	<u>1,271,082</u>
TOTAL LIABILITIES	<u>1,414,078</u>	<u>1,442,529</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	--	88,293
	<u>--</u>	<u>88,293</u>
NET POSITION		
Net investment in capital assets	1,207,936	1,110,656
Restricted for Rural Development reserve	93,884	86,466
Restricted for SDRS pension purposes	58,373	75,159
Unrestricted	<u>488,326</u>	<u>459,377</u>
TOTAL NET POSITION	<u>1,848,519</u>	<u>1,731,658</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 3,262,597</u>	<u>\$ 3,262,480</u>



BUTTE-MEADE SANITARY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Water sales	\$ 858,422	\$ 769,812
Other sales	<u>24,526</u>	<u>26,131</u>
	<u>882,948</u>	<u>795,943</u>
OPERATING EXPENSES		
Auto	17,845	16,366
Depreciation	120,601	119,502
Insurance	21,596	22,715
Mileage	369	382
Directors' fees	3,200	3,400
Office expense, dues, and travel	19,031	17,236
Payroll taxes	18,809	18,053
Professional fees	10,753	9,887
Maintenance and supplies	108,409	115,475
Employee benefits	63,133	39,177
Wages	245,736	235,982
Utilities	<u>65,127</u>	<u>58,256</u>
	<u>694,609</u>	<u>656,431</u>
OPERATING INCOME	<u>188,339</u>	<u>139,512</u>
NONOPERATING REVENUE (EXPENSE)		
Loss on disposal of equipment	(7,403)	(1,142)
Insurance proceeds	2,879	11,747
Interest income	525	398
Interest expense	<u>(67,979)</u>	<u>(70,467)</u>
	<u>(71,978)</u>	<u>(59,464)</u>
NET INCOME (LOSS)	116,361	80,048
Add additional memberships	<u>500</u>	<u>700</u>
INCREASE (DECREASE) IN NET POSITION	116,861	80,748
NET POSITION - BEGINNING OF YEAR	1,731,658	1,583,175
Prior period adjustment	<u>--</u>	<u>67,735</u>
NET POSITION - END OF YEAR	<u>\$ 1,848,519</u>	<u>\$ 1,731,658</u>

See accompanying notes.



BUTTE-MEADE SANITARY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 869,764	\$ 807,689
Cash payments to employees for services	(310,891)	(282,583)
Cash payments to other suppliers of goods and services	(252,312)	(245,722)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>306,561</u>	<u>279,384</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(322)	(320)
Interest received	<u>525</u>	<u>463</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>203</u>	<u>143</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Insurance proceeds	2,879	11,747
Memberships	<u>500</u>	<u>700</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>3,379</u>	<u>12,447</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(153,840)	(31,072)
Proceeds from disposal of equipment	--	--
Proceeds from long-term debt	--	--
Payments of long-term debt	(68,278)	(65,626)
Interest paid	(68,027)	(70,681)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(290,145)	(167,379)
NET INCREASE (DECREASE) IN CASH	19,998	124,595
CASH - BEGINNING OF PERIOD	<u>379,738</u>	<u>255,143</u>
CASH - END OF PERIOD	<u>\$ 399,736</u>	<u>\$ 379,738</u>

See accompanying notes.



BUTTE-MEADE SANITARY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 188,339	\$ 139,512
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	120,601	119,502
Pension adjustment	16,787	(7,424)
(Increase) decrease in		
Accounts receivable	(15,594)	9,646
Inventory	1,854	7,290
Prepaid expenses	(83)	924
Increase in		
Meter deposits	2,410	2,100
Accounts payable	(7,753)	7,834
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 306,561</u>	 <u>\$ 279,384</u>

See accompanying notes.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES

The Butte-Meade Sanitary Water District (the District) is a government entity comprised of one enterprise fund. The financial statements are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue when earned and expenditures when a liability is incurred. The District is a subdivision of the government of the State of South Dakota.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounts receivable - unbilled

Unbilled accounts receivable represent estimated water revenues earned by the District which had not been billed to customers at year end.

B. Inventory

Inventory is stated at cost, as determined on the first-in, first-out method.

C. Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives are as follows:

Furniture and fixtures	5-10 years
Buildings and structures	10-40 years
Equipment	5-10 years
Collection system	5-40 years
Distribution system	10-50 years

The District's policy is to capitalize those assets with a useful life greater than one year, and an initial acquisition cost of \$2,500 or more. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized. The District capitalizes interest expense during construction projects.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Vacation and sick leave

Annual leave is earned by the full-time employees at a rate of two weeks after 1 year, three weeks from 10 to 19 years and four weeks after 20 years. Sick leave is earned by full-time employees at a rate of twelve (12) days per year. Upon termination the employees are not entitled to receive compensation for their annual leave or sick leave balances. The District's policy for annual leave and sick leave is that the employee must use or lose leave balances by January 1 of each year.

E. Revenue and expense classifications

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenue and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

F. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

G. Cash and cash equivalents

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments and deposits with a term to maturity of three months or less to be cash equivalents.

H. Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

J. Equity classifications

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

K. Application of net position

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 3 - DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK

Deposits and investments

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The District's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 3 - DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK (CONCLUDED)

investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the District as discussed above. The District has no investment policy that would further limit its investment choices.

The District had no investments as of December 31, 2016.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 4 - PROPERTY AND EQUIPMENT

Summary by category of changes in property and equipment:

<u>Category</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Land	\$ 14,087	\$ --	\$ --	\$ 14,087
Furniture and equipment	24,711	1,443	(2,075)	24,079
Buildings and structures	100,833	7,526	--	108,359
Equipment - miscellaneous	35,298	--	--	35,298
Collection and distribution system	5,322,750	148,036	(32,503)	5,438,283
Vehicles	53,360	--	--	53,360
	<u>\$ 5,551,039</u>	<u>\$ 157,005</u>	<u>(\$ 34,578)</u>	<u>\$ 5,673,466</u>

Summary by category of changes in accumulated depreciation:

<u>Category</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Furniture and equipment	\$ 18,310	\$ 2,016	(\$ 2,075)	\$ 18,251
Buildings and structures	46,265	3,176	--	49,441
Equipment - miscellaneous	21,692	2,887	--	24,579
Collection and distribution system	2,980,894	103,862	(25,100)	3,059,656
Vehicles	33,918	8,660	--	42,578
	<u>\$ 3,101,079</u>	<u>\$ 120,601</u>	<u>(\$ 27,175)</u>	<u>\$ 3,194,505</u>



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
5.25% loan due First National Bank, payable in monthly installments of \$1,621 including interest, maturing July 2024.	\$ 120,897	\$ 133,475
6.625% revenue bond due Rural Development, payable in monthly installments of \$5,236 including interest, maturing June 2032.	599,274	621,597
4.125% revenue bond due Rural Development, payable in monthly installments of \$1,939 including interest, maturing July 2048.	406,002	412,380
3% loan due National Rural Water System, payable in monthly installments of \$676 including interest, maturing August 2018.	13,170	20,761
2.25% loan due South Dakota Department of Natural Resources in quarterly installments of \$5,661 including interest. The loan matures April 2023.	<u>131,682</u>	<u>151,090</u>
	1,271,025	1,339,303
Less current maturities	(<u>71,482</u>)	(<u>68,221</u>)
	<u>\$ 1,199,543</u>	<u>\$ 1,271,082</u>



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2016, including interest payments of \$717,966 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	71,482	64,824	136,306
2018	72,090	61,511	133,601
2019	70,001	58,194	128,195
2020	73,431	54,764	128,195
2021	77,077	50,668	127,745
2022-2026	308,965	217,593	526,558
2027-2031	319,095	111,405	430,500
2032-2036	74,993	49,432	124,425
2037-2041	82,346	33,994	116,340
2042-2046	101,172	15,168	116,340
thereafter	20,373	413	20,786
	<u>\$ 1,271,025</u>	<u>\$ 717,966</u>	<u>\$ 1,988,991</u>

The terms of the revenue bonds require that the District maintain a debt service account. A sum equal to the minimum of 1/12 of the annual installment coming due on the next succeeding January 1, is to be deposited to this account each month. Principal and interest payments are to be made from this account. At December 31, 2016, the District was in complete compliance with these terms.

The terms of the revenue bonds also require that all the surplus net revenues, in excess of the amounts required in the maintenance of the debt service account noted above, be deposited in a reserve account. This account shall be used for major repairs, maintenance, and improvements on the water system. No funds were available for deposit to this account as of December 31, 2016.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 5 - LONG-TERM DEBT (CONCLUDED)

A summary of the changes in long-term debt follows:

	Balance December 31, 2015	Proceeds	Retired	Balance December 31, 2016	Due Within One Year
Note Payable					
First					
National	\$ 133,475	\$ --	(\$ 12,578)	\$ 120,897	\$ 13,325
Bank					
Revenue Bonds -					
Rural					
Development	1,033,977	--	(28,701)	1,005,276	30,486
Note Payable -					
National					
Rural	20,761	--	(7,591)	13,170	7,823
Water System					
Note Payable -					
South Dakota					
Department of					
Natural	151,090	--	(19,408)	131,682	19,848
Resources	<u>\$ 1,339,303</u>	<u>\$ --</u>	<u>(\$ 68,278)</u>	<u>\$ 1,271,025</u>	<u>\$ 71,482</u>

NOTE 6 - PRIOR PERIOD ADJUSTMENTS

The District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

Net position January 1, 2015, as previously reported	\$ 1,583,175
Restatement for pension accounting	
Net pension asset	102,626
Pension related deferred outflows of resources	(34,891)
Net position January 1, 2015, as restated	<u>\$ 1,650,910</u>



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 7 - PENSION PLAN

Plan Information

All employees working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety, and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation, times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 7 - PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum with COLA
 - 80.0% to 90.0% funded - 2.1% minimum and 2.4% maximum with COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

All benefits, except those depending on the member's accumulated contributions, are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended December 31, 2016, 2015, and 2014 were \$14,641, \$ 14,081, and \$15,938 respectively, equal to the required contributions each year.

Pension liabilities (assets), pension expense (revenue), and deferred outflows of resources and deferred inflows of resources to pensions

At June 3, 2016, SDRS is 96.89% funded and accordingly has a net pension liability. The proportionate share of the components of the net pension liability of South Dakota Retirement System, for



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 7 - PENSION PLAN (CONTINUED)

Pension liabilities (assets), pension expense (revenue), and deferred outflows of resources and deferred inflows of resources to pensions (Continued)

the District as of this measurement period and reported by the District as of December 31, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 1,350,916
Less proportionate share of total pension liability	<u>1,308,863</u>
Proportionate share of net pension liability (asset)	<u>\$ 42,053</u>

At December 31, 2016 the District reported a liability of \$42,053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the District's proportion was .01244940%, which is a decrease of .0016592% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense of \$31,427. At December 31, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 14,640	\$ --
Changes in assumption.	25,188	--
Net difference between projected and actual earnings on pension plan investments.	46,775	



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 7 - PENSION PLAN (CONTINUED)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in proportion and difference between District contributions and proportionate share of contributions.	6,465	--
District contributions subsequent to the measurement date.	<u>7,357</u>	<u>--</u>
Total	<u>\$ 100,425</u>	<u>\$ --</u>

\$7,357 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	
2017	\$ 25,316
2018	16,084
2019	31,496
2020	20,172
2021	--
thereafter	--
Total	<u>\$ 93,068</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate Of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 7 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100.0%</u>	



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 7 - PENSION PLAN (CONCLUDED)

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 235,327	\$ 42,053	(\$ 115,583)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTE 8 - RURAL DEVELOPMENT RESERVES

Cash held in Rural Development reserve accounts consists of funds set aside for debt service, repairs, replacements, improvements, and additions as approved by Rural Development.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 9 - INSURANCE COVERAGE

The District has the following insurance coverage:

Alteris Insurance Services, November 15, 2016 to November 15, 2017	
Property coverage	\$ 2,904,000
Umbrella coverage	\$ 1,000,000
Liability coverage	
Occurrence limit	\$ 1,000,000
Aggregate limit	\$ 3,000,000
Medical expense limit	\$ 10,000
Automobile coverage	
Liability	\$ 1,000,000
Uninsured motorists	\$ 1,000,000
Underinsured motorists	\$ 1,000,000
Workers Compensation	
Accident limit (per accident)	\$ 500,000
Disease limit (per employee)	\$ 500,000
Disease policy limit	\$ 500,000
Directors and Officers Liability	\$ 1,000,000

Western Surety Company
Fidelity Bond #5240227, October 31, 2016 to
October 31, 2017 \$175,000 clerk/treasurer

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2016, the District managed its risks as follows:

Liability Insurance

The District purchases liability insurance for risks related to torts; theft of or damage to property; errors and omissions of directors and officers; and automobile accident or damage from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.



BUTTE-MEADE SANITARY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2016 AND 2015

NOTE 10 - RISK MANAGEMENT (CONTINUED)

Worker's Compensation

The District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NOTE 11 - SUBSEQUENT EVENTS

The District had no subsequent events requiring recording or disclosure in the financial statements through June 26, 2017, which is the date the financial statements were available to be issued.



BUTTE-MEADE SANITARY WATER DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	.0124494%	.0141086%
District's proportionate share of net pension liability (asset)	42,053	(59,839)
District's covered-employee payroll	236,725	257,580
District's proportional share of the net pension liability (asset) as a percentage of its covered - employee payroll	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	104.10%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous year.



BUTTE-MEADE SANITARY WATER DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,641	\$ 14,081
Contributions in relation to the contractually required contribution	<u>14,641</u>	<u>14,081</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
District's covered - employee payroll	\$ 244,016	\$ 234,684
Contributions as a percentage of covered - employee payroll	6.00%	6.00%



BUTTE-MEADE SANITARY WATER DISTRICT
SUPPLEMENTARY INFORMATION SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016

METER DEPOSITS

Water meter deposits are held separately in depository accounts in the name of the District.

COMPENSATION OF DIRECTORS

For the years ended December 31, 2016 and 2015, fees of \$3,200 and \$3,400 and mileage of \$369 and \$382 were paid to directors.

RURAL DEVELOPMENT RESERVES

In accordance with the provisions of the regulatory agreement, restricted cash is held by First National Bank which is insured by the Federal Deposit Insurance Corporation. Restricted cash is to be used for debt service, repairs, replacements, and improvements of property as approved by Rural Development. Restricted cash transactions for the year ended December 31, 2016 are as follows:

Balance - December 31, 2015	\$ 86,466
Deposits	7,418
Withdrawals	(\$ --)
Balance - December 31, 2016	\$ 93,884
Required balance	<u>86,100</u>
Amount in excess	<u>\$ 7,784</u>

AGED ACCOUNTS RECEIVABLE

Current	\$ 66,515
31-60 days	6,195
61-90 days	1,926
91 days and over	<u>2,656</u>
	<u>\$ 77,292</u>

